

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Canton Public Library</u>	County Wayne
Audit Date December 31, 2004	Opinion Date March 3, 2005	Date Accountant Report Submitted To State: May 4, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature <i>Plante & Moran, PLLC</i>			

Canton Public Library

Financial Report
December 31, 2004

Canton Public Library

Contents

Independent Auditor's Report	I
Basic Financial Statements	
Governmental Funds:	
Balance Sheet - Statement of Net Assets	2
Statement of Revenue, Expenditures, and Changes in Fund Balance -	
Statement of Activities	3
Budgetary Comparison Schedule - General Fund	4
Fiduciary Fund:	
Statement of Net Assets	5
Statement of Changes in Net Assets	5
Notes to Financial Statements	6-14

Independent Auditor's Report

To the Canton Public Library Board
Canton Township, Michigan

We have audited the accompanying basic financial statements of Canton Public Library as of December 31, 2004 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Canton Public Library as of December 31, 2004 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements as of January 1, 2004. The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

March 3, 2005

Canton Public Library

Balance Sheet - Statement of Net Assets December 31, 2004

	General Fund	Endowment Fund - Permanent Fund	Total Governmental Funds Balance Sheet - Modified Accrual	Adjustments (Note 2)	Statement of Net Assets - Full Accrual
Assets					
Cash (Note 3)	\$ 1,216,689	\$ 59,659	\$ 1,276,348	\$ -	\$ 1,276,348
Receivables:					
Property taxes	4,471,087	-	4,471,087	-	4,471,087
Pledges	15,062	-	15,062	-	15,062
Other assets	19,653	-	19,653	-	19,653
Depreciable capital assets (Note 4)	-	-	-	11,165,345	11,165,345
Nondepreciable capital assets (Note 4)	-	-	-	67,500	67,500
Total assets	\$ 5,722,491	\$ 59,659	\$ 5,782,150	11,232,845	17,014,995
Liabilities					
Accounts payable and accrued liabilities	\$ 57,417	\$ -	\$ 57,417	-	57,417
Accrued interest payable	-	-	-	77,706	77,706
Deferred revenue	4,887,252	-	4,887,252	(15,062)	4,872,190
Noncurrent liabilities:					
Due within one year:					
Bond	-	-	-	250,000	250,000
Compensated absences	-	-	-	65,106	65,106
Due in more than one year - Bond	-	-	-	5,550,000	5,550,000
Total liabilities	4,944,669	-	4,944,669	5,927,750	10,872,419
Fund Balances					
Reserved for endowment	-	58,540	58,540	(58,540)	-
Fund balances - Unreserved	777,822	1,119	778,941	(778,941)	-
Total fund balances	777,822	59,659	837,481	(837,481)	-
Total liabilities and fund balances	\$ 5,722,491	\$ 59,659	\$ 5,782,150		
Net Assets					
Investment in capital assets - Net of related debt				5,432,845	5,432,845
Restricted for endowment				58,540	58,540
Unrestricted				651,191	651,191
Total net assets				\$ 6,142,576	\$ 6,142,576

Canton Public Library

Statement of Revenue, Expenditures, and Changes in Fund Balance - Statement of Activities Year Ended December 31, 2004

		Endowment	Total Governmental Funds		
	General Fund	Fund - Permanent Fund	Revenues and Expenditures - Modified Accrual	Adjustments (Note 2)	Statement of Activities - Full Accrual
Revenue					
Property tax	\$ 4,581,988	\$ -	\$ 4,581,988	\$ -	\$ 4,581,988
State aid	66,639	-	66,639	-	66,639
Penal fines	101,137	-	101,137	-	101,137
Interest on investments	36,842	582	37,424	-	37,424
Contributions and donations	16,858	9,895	26,753	(8,922)	17,831
Library fines and fees	152,814	-	152,814	-	152,814
Revenue sharing	3,513	-	3,513	-	3,513
Rentals	450	-	450	-	450
Total revenue	4,960,241	10,477	4,970,718	(8,922)	4,961,796
Expenditures					
Salaries	2,051,981	-	2,051,981	(7,120)	2,044,861
Postemployment health	50,000	-	50,000	-	50,000
Fringe benefits	342,547	-	342,547	-	342,547
Supplies	148,301	-	148,301	-	148,301
Library books and materials	651,597	-	651,597	(470,231)	181,366
Professional and contractual services	210,252	-	210,252	-	210,252
Communications	66,768	-	66,768	-	66,768
Conferences, workshops, and travel	25,927	-	25,927	-	25,927
Community relations	1,877	-	1,877	-	1,877
Printing and publishing	44,077	-	44,077	-	44,077
Insurance and bonds	77,211	-	77,211	-	77,211
Utilities	173,924	-	173,924	-	173,924
Building repair and maintenance	80,470	-	80,470	-	80,470
Rentals	21,579	-	21,579	-	21,579
Capital outlay	697,537	-	697,537	(678,454)	19,083
Property tax refund	9,350	-	9,350	-	9,350
Debt service/Interest on long-term debt	521,125	-	521,125	(202,575)	318,550
Bank fees	-	34	34	-	34
Loss on sale of assets	-	-	-	11,703	11,703
Depreciation	-	-	-	1,144,512	1,144,512
Total expenditures	5,174,523	34	5,174,557	(202,165)	4,972,392
Excess of Revenue Over (Under) Expenditures	(214,282)	10,443	(203,839)	193,243	(10,596)
Fund Balance/Net Assets - Beginning of year	992,104	49,216	1,041,320	5,111,852	6,153,172
Fund Balance/Net Assets - End of year	\$ 777,822	\$ 59,659	\$ 837,481	\$ 5,305,095	\$ 6,142,576

Canton Public Library

Budgetary Comparison Schedule - General Fund Year Ended December 31, 2004

	Prior Year Actual - Modified Accrual	Current Year - Modified Accrual			
		Originally Adopted Budget	Amended Budget	Actual	Variance
Revenue					
Property tax	\$ 4,229,195	\$ 4,587,685	\$ 4,581,988	\$ 4,581,988	\$ -
State aid	63,392	66,590	66,638	66,639	1
Penal fines	87,906	80,000	101,137	101,137	-
Interest on investments	31,312	30,000	33,350	36,842	3,492
Contributions and donations	28,819	7,550	15,863	16,858	995
Library fines and fees	134,705	125,300	148,363	152,814	4,451
Revenue sharing	3,513	3,513	3,513	3,513	-
Rentals	850	-	-	450	450
Total revenue	4,579,692	4,900,638	4,950,852	4,960,241	9,389
Expenditures					
Salaries	1,889,796	1,997,336	2,056,470	2,051,981	4,489
Postemployment health	50,000	50,000	50,000	50,000	-
Fringe benefits	318,805	349,158	353,562	342,547	11,015
Supplies	157,156	207,150	160,000	148,301	11,699
Library books and materials	575,540	679,844	651,700	651,597	103
Professional and contractual services	410,691	330,314	210,503	210,252	251
Communications	69,974	70,000	67,300	66,768	532
Conferences, workshops, and travel	18,303	32,300	27,200	25,927	1,273
Community relations	2,551	9,850	2,400	1,877	523
Printing and publishing	42,584	68,000	46,601	44,077	2,524
Insurance and bonds	74,855	74,500	80,221	77,211	3,010
Utilities	173,664	192,000	175,000	173,924	1,076
Building repair and maintenance	82,381	73,682	87,850	80,470	7,380
Rentals	27,637	27,000	27,000	21,579	5,421
Capital outlay	83,049	42,500	767,920	697,537	70,383
Property tax refund	13,472	5,000	12,000	9,350	2,650
Debt service	321,538	521,925	521,925	521,125	800
Total expenditures	4,311,996	4,730,559	5,297,652	5,174,523	123,129
Excess of Revenue Over (Under) Expenditures	267,696	170,079	(346,800)	(214,282)	132,518
Fund Balance - Beginning of year	724,408	992,104	992,104	992,104	-
Fund Balance - End of year	<u>\$ 992,104</u>	<u>\$ 1,162,183</u>	<u>\$ 645,304</u>	<u>\$ 777,822</u>	<u>\$ 132,518</u>

Canton Public Library

Fiduciary Fund Statement of Net Assets December 31, 2004

	Postemployment Benefits Fund
	<hr/>
Assets - Cash and cash equivalents (Note 3)	<u><u>\$ 150,956</u></u>
Net Assets - Held in trust for pension and other employee benefits	<u><u>\$ 150,956</u></u>

Fiduciary Fund Statement of Changes in Net Assets Year Ended December 31, 2004

	Postemployment Benefits Fund
	<hr/>
Additions	
Contributions	\$ 50,000
Investment income - Interest and dividends	<u>968</u>
Total additions	50,968
Deductions - Bank fees	<u>12</u>
Net Increase	50,956
Nets Assets Held in Trust for Postemployment Benefits	
Beginning of year	<u>100,000</u>
End of year	<u><u>\$ 150,956</u></u>

Canton Public Library

Notes to Financial Statements Year Ended December 31, 2004

Note 1 - Summary of Significant Accounting Policies

Canton Public Library (the "Library") is governed by a six-member Board of Trustees.

The accounting policies of Canton Public Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library:

Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's General Fund is budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences are recorded only when payment is due.

In addition to presenting information for the General Fund on the modified accrual basis (as budgeted), the financial statements present information for the Library using the economic resources measurement focus and the accrual basis of accounting. This information is intended to demonstrate the degree to which taxpayers have funded the full cost of services received. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Canton Public Library

Notes to Financial Statements Year Ended December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified accrual and full accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits - The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Capital Assets - Capital assets are defined by the Library as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Building improvements, furniture and fixtures, equipment, and library books, periodicals, etc. are depreciated using the straight-line method over the following useful lives:

Building, fixtures, and improvements	50 years
Furniture and equipment	3-10 years
Library books, periodicals, etc.	7 years

Compensated Absences (Vacation Leave) - It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Property Taxes - Properties are assessed as of December 31. The taxes are billed and become a lien on December 1 of the following year; they are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes billed during December are included in deferred revenue.

Canton Public Library

Notes to Financial Statements Year Ended December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Pledges - Contributions to the Endowment Fund are recorded when received in the fund statements. A receivable and revenue are recorded in the government-wide statements when pledges of future contributions are received.

Change in Accounting - During the current year, the Library adopted GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. As a result, these financial statements include a full accrual accounting for all of the Library's activities.

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

As discussed in Note 1, the governmental funds are presented on the modified accrual basis of accounting, and the Library as a whole is also presented on the full accrual basis. The following is a reconciliation of fund balance on the modified accrual basis of accounting to net assets presented on the full accrual basis:

Total Fund Balances for Governmental Funds	\$ 837,481
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(5,800,000)
Capital assets used in governmental activities are not financial resources and are not reported in the funds	11,232,845
Interest amounts on long-term liabilities are not payable until due in the funds	(77,706)
Pledges receivable are expected to be collected over several years and are not available to pay for current year expenditures	15,062
Compensated absences are not due and payable in the current period and are not reported in the funds	(65,106)
Net Assets of Governmental Activities	<u>\$ 6,142,576</u>

Notes to Financial Statements

Year Ended December 31, 2004

The following is a reconciliation of the changes in fund balance on the modified accrual basis to the change in net assets on the full accrual basis:

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report proceeds from fixed asset disposals; in the statement of activities, losses on disposals are reported (11,703)

Change in Net Assets of Governmental Activities	\$ (10,596)
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Canton Public Library

Notes to Financial Statements Year Ended December 31, 2004

Note 3 - Cash

The Library's cash at December 31, 2004 consists of the following:

	Governmental		
	Funds	Fiduciary Fund	Total
Bank deposits	\$ 1,276,348	\$ 150,956	\$ 1,427,304

Deposits

The above bank deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$1,577,140. Of that amount, \$200,000 was covered by federal depository insurance and \$1,377,140 was uninsured and uncollateralized.

Note 4 - Capital Assets

Capital asset activity of the Library's governmental activities was as follows:

	Balance January 1, 2004	Additions	Disposals and Adjustments	Balance December 31, 2004
Capital assets not being depreciated - Land	\$ 67,500	\$ -	\$ -	\$ 67,500
Capital assets being depreciated:				
Building, fixtures, and improvements	8,984,186	566,758	-	9,550,944
Furniture and equipment	2,324,134	111,696	(25,669)	2,410,161
Books, periodicals, etc.	4,908,980	470,231	-	5,379,211
Subtotal	16,217,300	1,148,685	(25,669)	17,340,316
Accumulated depreciation:				
Building, fixtures, and improvements	1,458,194	187,555	-	1,645,749
Furniture and equipment	1,131,741	222,086	(13,966)	1,339,861
Books, periodicals, etc.	2,454,490	734,871	-	3,189,361
Subtotal	5,044,425	1,144,512	(13,966)	6,174,971
Net capital assets being depreciated	11,172,875	4,173	(11,703)	11,165,345
Net capital assets	\$ 11,240,375	\$ 4,173	\$ (11,703)	\$ 11,232,845

Capital assets, including library books, are recorded at cost. Depreciation expense was \$1,144,512 for the year ended December 31, 2004.

Canton Public Library

Notes to Financial Statements Year Ended December 31, 2004

Note 5 - Long-term Debt

A summary of the debt outstanding of the Library at December 31, 2004 is as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds:							
Building Authority Bonds							
Amount of Issue - \$6,000,000	5.150%-	\$200,000-					
Maturing through 2020	5.500%	\$500,000	\$ 6,000,000	\$ -	\$ (200,000)	\$ 5,800,000	\$ 250,000
Other long-term obligations -							
Accumulated employee benefits			72,226	-	(7,120)	65,106	65,106
Total long-term obligations			\$ 6,072,226	\$ -	\$ (207,120)	\$ 5,865,106	\$ 315,106

The Library has one outstanding bond issue for building and various other capital improvements at December 31, 2004. These general obligation bonds were issued by the Canton Township Building Authority and are payable through 2020. Canton Township and the Library have entered into an agreement that calls for annual payments from the Library equal to the debt service requirements on the bonds.

Annual debt service requirements to maturity for the above bonds are as follows:

Years Ending December 31	Principal	Interest	Total
2005	\$ 250,000	\$ 310,825	\$ 560,825
2006	250,000	297,825	547,825
2007	250,000	284,825	534,825
2008	250,000	271,825	521,825
2009	300,000	258,825	558,825
2010-2014	1,750,000	1,041,950	2,791,950
2015-2019	2,250,000	518,900	2,768,900
2020	500,000	27,500	527,500
Total	\$ 5,800,000	\$ 3,012,475	\$ 8,812,475

Interest - Interest expense of the Library for the year ended December 31, 2004 approximated \$321,000.

Canton Public Library

Notes to Financial Statements Year Ended December 31, 2004

Note 6 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for general liability, property, workers' compensation, health, and disability claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 7 - Defined Benefit Pension Plan

Plan Description - Canton Public Library participates in the Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Library. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system.

That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the system for these full-time employees was established by the Canton Public Library's Board and requires a contribution from the employees of 7 percent of gross wages.

Annual Pension Cost and Three-year Trend Information - For year ended December 31, 2004, the Canton Public Library's annual pension cost of \$88,010 for the plan was equal to the Library's required and actual contribution. The fair market value of the plan's assets approximated \$1,505,290 at December 31, 2003. The Library began participation in the MERS plan on January 1, 2003. The 2003 annual required contribution was determined as part of the initial actuarial valuation as of July 1, 2002, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year plus a percentage based on an age-related scale to reflect merit longevity and promotional salary increases, and (c) 2.5 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 29 years.

Canton Public Library

Notes to Financial Statements Year Ended December 31, 2004

Note 7 - Defined Benefit Pension Plan (Continued)

The following trend information includes only pension-related activity (assets, liabilities, and contributions related to health care have been excluded):

	Year Ended December 31	
	2003	2004
Annual pension costs (APC)	\$ 99,656	\$ 88,010
Percentage of APC contributed	100.0%	100.0%
Net pension obligation	None	None
		Actuarial
		Valuation as of
		December 31,
		2003
Actuarial value of assets	\$	1,297,209
Actuarial accrued liability (AAL)	\$	2,044,559
Underfunded AAL (UAAL)	\$	747,350
Funded ratio (percentage)		63.4%
Covered payroll	\$	746,355
UAAL as a percentage of covered payroll		100%

Note 8 - Postemployment Benefits

The Library provides health care benefits to certain full-time employees, based on age and years of service, upon retirement in accordance with the Canton Public Library Retiree Medical Plan. There are no retirees currently eligible for benefits. The Library includes pre-Medicare retirees and their spouses in its insured health care plan, with no contributions required by the participants. The Library will reimburse not less than 50 percent of the cost of medical coverage. The Library purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due. There were no postemployment benefits paid during the current year.

Canton Public Library

Notes to Financial Statements Year Ended December 31, 2004

Note 9 - Budget Information

The annual budget is prepared by the Library management and adopted by the Library Board; subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2004 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles. The budget statement (budgetary comparison schedule - General Fund) is presented on the same basis of accounting and level of detail as the adopted budget.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. There were no unfavorable expenditure budget variances.